

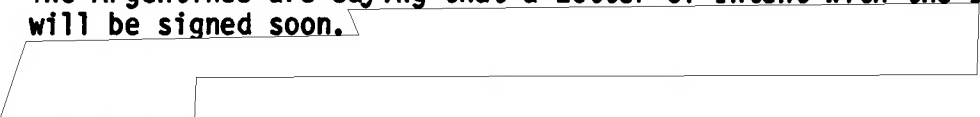
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Notes for DCI Meeting on 21 September

from NIO/Economics

Argentine Debt Problem

Recent news are good on the whole:

- o Nothing much came out of the latest meeting of the Cartagena Group from which Argentina could benefit if it wanted to take a confrontational approach.
- o The Argentines are saying that a Letter of Intent with the IMF will be signed soon. 
- o If a Letter of Intent is signed, however, major questions will remain about what Argentine commitments mean in a situation of nearly runaway inflation.

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In his forthcoming meeting with President Reagan, Alfonsin will emphasize the U.S. political stakes (e.g., the preservation and building of Argentine democracy) in his administration in the hope that the USG will influence the IMF and the banks to be more forthcoming. It is important to bear in mind that:

- o The Argentines tend to have an overblown view of their importance on the world scene and in the eyes of the US;
- o They also tend to exaggerate both the ability and the willingness of the USG to influence the banks and the IMF.

Soviet Economic Preparedness

A recent draft SOVA memo, "Cutbacks on Soviet Exports of Selected Minerals and Strategic and Precious Metals," which was recently sent to you by Herb Meyer, suggests that the recent cutbacks in Soviet exports of strategic metals and minerals could reflect a stepped-up stockpiling program. Although other considerations may constitute sufficient explanation for the export cuts, the stockpile hypothesis cannot be rejected. I have asked SOVA to examine other types of economic information that might indicate increased Soviet exports to prepare for a possible emergency--for example, investment priorities; the use of civilian trucks for military purposes; and grain purchases. I do not know whether these indicators will add up to anything, but the subject is important enough to be tackled head-on.

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